August 20, 2020

Christopher Cotter, Housing Director
Cambridge Community Development
51 Inman Street
Cambridge, MA 02139

Dear Mr. Cotter,

As President of the Park View Cooperative Corp. ("Park View" or "Co-op"), I want to thank you and the staff at Cambridge Community Development (CCD) for your ongoing commitment to preserving affordable housing and for supporting us in our ambitious goal to rehabilitate our aging building on Corporal McTernan Street. I was present at the August meeting of the Affordable Housing Trust and appreciated how well you represented our community.

We are eager to continue our work with you and the CCD staff to finalize a deal with the Trust to fully fund our project and to meet the policy goals that I know we all largely share. To that end, and in light of the Trust's stated goals and concerns, I am pleased to present the following proposal that I believe would be met with approval from our Board of Directors.

1) The Co-op will likely agree to relinquish all of the additional principle that would be added to our share values for the $500K commercial loan from Cambridge Savings Bank.

2) The Co-op appears very ready to ensure that the selection of new members is in alignment with fair housing principles and City of Cambridge affordable housing priorities and to market the opportunities to a broad community of potential newcomers. In particular, I believe that we can get the Board to agree to:

- Reserve one of our two-bedroom units at turnover for a family with children or other dependents;
- Formulate a criteria-based selection process with transparency to the City and Trust, knowing that we still need clarification from CCD on what would be a viable framework for our specific housing community to move forward;
- Offer CCD information about our member selection process and to provide CCD with the opportunity to comment and assent to member selection, but with no direct intervention;
- Market to a broad group of potential members using fair housing principles; and/or
- Provide preference for Section 8 voucher holders if the approach can be achieved in a workable fashion that meets the Co-op's ongoing management needs.

3) The Co-op is prepared to build up Co-op's cash reserves to fund one or more of the following as may be appropriate in the future context:

- Provide a reduction in share value for family-size unit;
- Supplement share loans at 0% interest; and/or
- Supplement carrying charges for "rent" burdened members

4) The Co-op has long planned for long-term financial stability and will continue to do so, potentially with additional criteria-based budgeting with your feedback and consent. In particular we likely can commit to:

- Provide budget transparency, but with no direct City or Trust decision making;
- Fund an adequate 20-year reserve plan, reviewed every 5 years (fully funding at ~$9,600/year);
- Ensure a minimum of six months of operating expenses in cash reserves;
- Develop additional reserves for principal pay down of our commercial loan (if necessary) in 20 years (budgeted at ~$2,000/year);
- Seek to build cash reserves to fund item number three above; and/or
- Budget annually based on prior the year's expenses and anticipated needs.

In the interest of moving forward expeditiously, I would like to request a meeting as soon as possible to discuss the above.

Thank you in advance for your thoughtful consideration.

Sincerely yours,

Catherine Tutter
President, Park View Cooperative
24-26 Corporal McTernan Street
Cambridge, MA 02139
ctutter@gmail.com
857-201-3103

cc:
Anna Dolmatch, Janet Haines, Dennis Carlone, Cody Thornton, Dennis Friedler, and John Nesby

Cotter, Chris

From: Cody Thornton <cody@projectlawgroup.com>
Sent: Wednesday, September 23, 2020 4:37 PM
To: Cotter, Chris
Cc: Dennis Friedler; Catherine Tutter; John Nesby; Carlone, Dennis; Haines, Janet; Dolmatch, Anna
Subject: Park View Cooperative Negotiation Update for the Affordable Housing Trust
Attachments: MEMO - 2020-08-20 - Park View Memo Regarding Trust Requests.pdf; EMAIL - 2020-09-22 - Park View Cooperative.pdf

Please find below a memo that Park View Cooperative has drafted for the Affordable Housing Trust along with two prior messages. We would request that these topics be discussed in the Trust meeting this week. We assert again that the Co-op is more likely than not to accept a deal within the bounds established in the August 20, 2020, memo from Catherine Tutter. Thank you for your time and help.

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Dear Trust Members:

I am Park View Cooperative's attorney. Several representatives from the Co-op and I observed your video meeting on August 6, 2020, in which you discussed their renovation project at 24–26 Corporal McTernan Street. As you know, the project does the very minimum to bring a unique building in a prominent location in an important neighborhood up to a standard it should have enjoyed in the 1980s when it was purchased. We were elated with and grateful for your willingness to help provide a large amount of funding to finally bring it into the present.

For 36 years the members of the Co-op have sustained their dilapidated building through the substantial efforts of their robust community alone. During that time, they have funded $1.8 million of maintenance and repairs using their own funds and high-interest debt. They have done everything they could for this building for almost four decades and have done it very well at very low cost.

We took to heart the conditions and concerns you all expressed in the meeting, and we set out to negotiate a complex set of proposals among the Co-op's members that we felt would address all of your requirements. We also wanted to ensure a level of autonomy necessary for the Co-op to continue to do what it does best: work together efficiently to maintain a building <u>and</u> a community. A fair and reasonable level of oversight and involvement from the Trust's designees at CDD were also willingly and happily envisioned.

With little time to spare and a broken furnace reminding us of what needed to be done quickly, we pushed what is probably our best deal right to the forefront of the urgent conversation with CDD. On August 20, 2020, we delivered to them the attached memo from the Co-op's President Catherine Tutter outlining the proposal. We were then, and remain still, confident that the Co-op board could accept this arrangement.

We eventually were offered a meeting with CDD on September 10, 2020, in which we appeared to be on the same page on most of the topics, with most of the contention surrounding setting a standard for carrying charges. We proceeded to schedule another meeting on September 17, 2020, to finalize the issues, but that meeting was canceled the morning of. It was never rescheduled. We waited for any additional feedback.

Expecting a final call before the Trust's September meeting, we followed up with the attached email dated September 22, 2020, outlining where we thought there was still some confusion about the cooperative model of affordable housing as it might plug into CDD's oversight role. We offered insights into how this project can be an exemplar of co-op funding and asked three simple questions that we hoped would inform a final proposal to the Trust:

1. If you have already assessed that the Co-op cannot afford additional major outlays, what exactly are you hoping to fund with the additional carrying charges that is not already covered in the capital plan?
2. What is it about the project that you believe is excessive or from which individual members will unreasonably benefit?
3. If the Co-op increases carrying charges for capital budgeting, are you ready to accept that their other affordability programs will get reduced or cut altogether?

We also expressed a concern that the policies CDD intended to implement appeared to place the burden of subsidy on low-income members simply because they are currently relatively better resourced than the lowest-income members. It seems reasonable to question why it is in the Trust's interests to force low-income individuals to provide the subsidies the Trust was established to provide, especially when it throws into turmoil the mutual commitment that a cooperative requires that can lead to resentment based on uneven cost burdens and responsibilities—at least without some justification as to why the differential is warranted.

On September 23, 2020, we received a copy of CDD's final proposal for the Trust's consideration. It contained many requests that were more expansive than we had been negotiating for years. It contained characterizations of the Co-op's likely ability to undertake certain programs that do not align with where we believe the Co-op is today, especially with the uncertainty the COVID-19 pandemic has stirred.

Shortly after receiving this memo, we were offered a 15-minute call with Chris Cotter to address our concerns that we were under the impression would require a more extensive negotiation after four years of collaboration. We were told that this was the proposal that would go to the Trust. Meanwhile, most of the concerns that we have raised in the August 20, 2020, memo and the September 22, 2020, email have not been addressed.

We heard you all say that you wanted to turn the project back to CDD for a thoughtful discussion about a way forward that can serve as a template for other cooperatives. We heard you say that you do not want to force a project that a cooperative like this one cannot accept. We heard you say that you do not want to be the ones who are conducting extensive oversight or trying to control the Co-op.

The Co-op is willing to accept reasonable increases in carrying charges as long as the budgeting reasons and social policies for those increases are clear. We think that already cost-burdened, low-income members are owed an explanation as to why the Trust expects them to subsidize even lower-income members. We also think that set percentage increases may be detrimental given exponential growth issues that are not usually offset by income increases.

The Co-op is very likely to accept oversight that is based on clear criteria and rules that CDD can oversee and enforce when necessary. We do not think it is in anyone's best interests to overly impede the Co-op's work with a paternalistic level of involvement, especially with the team's fantastic track record of managing their own building for almost 40 years.

The Co-op cannot, unfortunately, undertake all of the affordability measures and remain within the arbitrary 30%-of-income standard that may be more suitable to rental housing than it is for cooperative housing. Accepting new members at that standard will mean that they instantly become rent burdened with any increase. These carrying-charge measures should be limited to standards of reasonability that are set in each budgeting cycle. We are happy to set criteria with CDD for these periodic carrying charge updates. We would also like to see if the Co-op could not be affordable to members of even lesser means.

We hope that you might consider the proposal we made in the August 20, 2020, memo as a path forward. We welcome your other insights, critique, and recommendations and are thankful for your time.

Sincerely,

Cody Thornton

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Cotter, Chris

From: Cody Thornton <cody@projectlawgroup.com>
Sent: Tuesday, September 22, 2020 10:02 AM
To: Cotter, Chris
Cc: Dolmatch, Anna; Haines, Janet; Carlone, Dennis; stockard@gsd.harvard.edu; dennis friedler; Catherine Tutter; John Nesby
Subject: Park View Cooperative — Topics for Final Round of Negotiation
Attachments: Park View Response Letter to Cambridge Community Development - August 20, 2020.pdf

Dear Chris,

With a broken heating system awaiting repair as the cold weather arrives and a real need to act quickly to get the Park View Cooperative project off the ground as soon as possible, I am writing this message to interject some core points into your internal conversation prior to our next meeting. We are grappling with what we heard from the Trust in the last meeting and what we are now sensing you believe the Trust wants.

We start with the simple statement that the equitable nature and self-management structures of the Co-op are very different from subsidized affordable rentals and from condo ownership. The Co-op is focused on affordability, *lifelong* resiliency, community, and stewardship. We suspect the Trust shares these goals.

Based on what we heard the Trust say, there are still some lingering misconceptions about the Co-op that are impeding our way forward. One of the trust board members stated that the City should not put forward a deal the Co-op cannot accept. The letter that Catherine Tutter sent several weeks ago after the Trust meeting was a very good faith effort on our part to respond to what the Trust said it wanted within the bounds of what we believe we can get the Co-op board to accept. We knew we would have to move fast, so we put almost everything that we can offer right up front.

We hope that you will return there and restart your internal conversation based on those points with the following additional core issues in mind.

Issue #1: The Co-op is not too affordable, and carrying charges should not be raised arbitrarily.

We are getting mixed messages between the Trust's desire for affordability and CCD's desire to raise carrying charges without a real understanding about where CCD wants the money to be used. We feel that negotiating based on current members and their current situations is logically flawed, and their situations have largely only worsened with the pandemic. They also don't benefit the way that other ownership structures work, such as having no property tax breaks.

These inconsistencies risk the egalitarian nature of the group-managed corporation and the harmony of their agreed-upon communal arrangement. Asking members with relatively more means to subsidize others not only undermines affordable housing *ownership*, but losing these members could increase the risk overall for the entire Co-op. The rental model also ignores the sweat equity contributions of all of these members and their willingness to help incoming members reach into the ownership realm when they can.

After buying the building in an already dilapidated, even dangerous, state in the 80s with just a loan and resident equity, the Co-op has operated efficiently for 36 years without substantial outside intervention. Their team is organized and responsible and have done capital budgeting with a level of predicability largely unseen in a cooperative like theirs. The fact that they are seeking funds now is a testament to their going without for almost four decades. They are perfectly poised to take the renovated building and carry on this tradition, preserving the value the Trust is ready to infuse into he building, where it legally must stay. The project is a benefit to the community, from both a social and a physical perspective.

The Co-op now has a new capital budgeting plan that is 100% funded as planned. A raise in carrying charge to some arbitrary rent standard will not only harm affordability, but it could make the Co-op less resilient. They are prepared to raise their budgeting plans over time if needed and have offered transparency to the City in that process. This possibility is yet another risk to the most burdened members.

Our question for you: if you have already assessed that the Co-op cannot afford additional major outlays, what exactly are you hoping to fund with the additional carrying charges that is not already covered in the capital plan?

Issue #2: The Co-op members will personally benefit less by accepting the Trust's capital infusion.

We sense an undercurrent that somehow the Co-op is unfairly seeking to benefit from the Trust's capital infusion. The trust's infusion is not about injecting luxuries into the members' lives. The members are permanently offering to give up significant amounts of money just to bring their building up to code and to fix problems that the city helped create decades ago.

The relatively high share prices compared to some other Co-ops reflect the members' substantial private outlays at very high interest rates over decades. The idea that they somehow did not do enough to save up for this inevitable project is belied by all that they did do. The cost today to the Trust compared to what it would have been in the 80s or 90s is relatively small and exceedingly reasonable. There is no desire to unfairly benefit from these funds. The only desire is to secure affordability and a minimum level of safety and very basic comfort for many more decades.

Our question for you: what is it about the project that you believe is excessive or from which individual members will unreasonably benefit?

Issue #3: The Co-op could make additional concessions, but they will come at a cost to affordability.

We were surprised that the Trust appeared not to realize that the Co-op has engaged in internal affordability measures, such as offering pass-through share loans for members, for a very long time. They are willing to continue those programs, among other options, but they cannot do that if they are required to push funds in some other direction that they would not otherwise choose.

You all also appear to agree based on the memo you provided the Trust that an increased third-party loan amount is not advisable. The payment of additional interest to for-profit institutions also drives that value outside of the Co-op and Trust where they can be leveraged with greater efficiency.

We would add that, even with a 15% contingency, the Co-op is taking on additional risk that the project cannot be completed even with the projected budget. This risk increases daily with COVID insecurity, which includes a residential construction boom that is driving price uncertainty, and the looming winter.

Our question for you: if the Co-op increases carrying charges for capital budgeting, are you ready to accept that their other affordability programs will get reduced or cut altogether? It is largely a zero-sum scenario for them. They have offered changes to share value formulas, share values, share loans, and even subsidies for rent burdened. It raises the question of whether the Co-op is even the most appropriate organization to fulfill some of these policy goals for the Trust, if it even requires them. It might, in fact, make sense for the City to offer subsidy items like a share-loan program to all co-ops rather than have low-income residents be expected to provide those for each other.

We hope you will return to the attached letter that Catherine Tutter sent weeks ago. We were very sincere about these elements being very near the limits of what the Co-op can accept going forward. We think we are close to an agreement on most of the terms, but arbitrarily raising carrying charges without a clear goal for that money and a clear policy statement about why it is in the Trust's best interests to require subsidization by low-income individuals of members of even lesser means is essential to the Trust's mission.

Thank you for your time and help.

Sincerely,
Cody

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